EXHIBIT D

Harley International (Cayman) Limited

Report and Financial Statements

31 December 2006

Contents

General information

Registered office

Grand Pavilion Commercial Centre
802 West Bay Road
PO Box 2003 GT
Cayman Islands K1-1104

Independent auditors

Ernst & Young
Leeward 4
Regatta Office Park
West Bay Road
PO Box 510GT
Cayman Islands K1-1106

Directors

Mr Anthony L M Inder Rieden
Mrs Dawn E Davies

Administrator

Fortis Prime Fund Solutions (IOM) Limited
PO Box 156
18-20 North Quay
DOUGLAS
Isle of Man
IM99 1NR

Investment manager

Euro-Dutch Management Limited
Grand Pavilion Commercial Centre
802 West Bay Road
PO Box 2003 GT
Cayman Islands K1-1104

Registrar and transfer agent

Fortis Prime Fund Solutions (IOM) Limited
PO Box 156
18-20 North Quay
DOUGLAS
Isle of Man
IM99 1NR

Custodian

Bernard L Madoff Investment Securities LLC
885 Third Avenue
New York
NY 10022

Sub-advisor

Aspen International Investment Limited
Clarendon House
2 Church Street
Hamilton HM DX
Bermuda

Legal advisor

Ogier
Queensgate House
113 South Church Street
GEORGE TOWN
Cayman Islands K1-1108

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the company's state of affairs as at the end of the year and the results of operations for the year then ended.

In preparing those financial statements, the directors are required to:

- ensure that the financial statements comply with the Memorandum and Articles of Association and International Financial Reporting Standards, as published by the International Accounting Standards Board;
- select suitable accounting policies and then apply them on a consistent basis;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

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Grand Cayman, Cayman Islands

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Report of Independent Auditors

To the members of
Harley International (Cayman) Limited

We have audited the Company's financial statements for the year ended 31 December 2006, which comprise the balance sheet, income statement, statement of changes in net assets attributable to holders of redeemable preferred shares, cash flow statement and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of company's members and auditors

The company's members are responsible for the preparation of the annual report and the financial statements in accordance with applicable International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with International Financial Reporting Standards.

We read the statement of directors' responsibilities in respect of the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the company's members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from

ERNST & YOUNG

Independent Auditor's Report (continued)

material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2006 and of its results and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards.

Ernst & Young

29 June 2007

Balance sheet

As at 31 December 2006

	Note	2006 US$	2005 US$
Assets			
Financial assets at fair value through profit or loss (cost $2,485,778,947, 2005: US$1,606,876,729)	3	**2,485,486,111**	1,606,382,786
Cash and cash equivalents	4	**51,181**	169,474
Accrued dividend receivable		**2,146,025**	783,080
Total assets		**2,487,683,317**	1,607,335,340
Liabilities			
Management and incentive fee payable	5	**16,077**	14,156
Deferred incentive and management fees	5	**325,440**	2,570,050
Administration fee payable	6	**75,000**	75,000
Accrued expenses		**35,000**	148,327
Withholding tax payable		**625,644**	222,978
Due to participating interests	11	**-**	189,668,711
Total liabilities		**1,077,161**	(192,699,222)
Net assets attributable to holders of redeemable preferred shares		**2,486,606,156**	1,414,636,118
Net asset value per share			
Class A redeemable preferred shares (4,151.41 shares outstanding; 2005: 3,094.34 shares)		**3,675.35**	3,299.20
Class C redeemable preferred shares (619,259.80 shares outstanding; 2005: 395,795.71 shares)		**3,990.81**	3,539.90
Class J redeemable preferred shares (0 shares outstanding; 2005: 1,109.95 shares)		**-**	3,142.03

Approved by the Directors on 29 June 2007

.......................Director

.......................Director

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Income statement

For the year ended 31 December 2006

	Note	2006 US$	2005 US$
Investment Income			
Interest	2 (h)	**30,955,503**	24,490,636
Dividends (net of withholding taxes of $9,953,929, 2005: $3,338,599)	2 (j)	**23,287,110**	9,257,052
Total Investment income		**54,242,613**	33,747,688
Expenses			
Management fee	5	**-**	33,538
Incentive fee	5	**192,662**	141,167
Administration fee	6	**300,000**	300,000
Directors fee		**10,000**	10,000
Professional fees and other		**308,687**	268,931
Total operating expenses		**(811,349)**	(753,636)
Net investment income		**53,431,264**	32,994,052
Net gain on investments			
Net realised gain on investments	2 (c), 9	**185,814,397**	104,370,709
Net unrealised loss on investments	2 (c),9	**1,107**	(213,226)
Net gain on investments		**185,815,504**	104,157,483
Appreciation of deferred compensation	5	**(266,632)**	(214,610)
Profit attributable to participating interests	11	**-**	(8,289,476)
		(266,632)	(8,504,086)
Profit attributable to holders of redeemable preferred shares		**238,980,136**	128,647,449

Statements of changes in net assets attributable to holders of redeemable preferred shares

For the year ended 31 December 2006

	Capital transactions US$	Total US$
Balance at 1 January 2005	**1,212,438,949**	**1,212,438,949**
Profit attributable to holders of redeemable preferred shares	128,647,449	128,647,449
Issue of shares	159,708,269	159,708,269
Redemption of shares	(86,158,549)	(86,158,549)
Balance at 31 December 2005	1,414,636,118	1,414,636,118
Profit attributable to holders of redeemable preferred shares	**238,980,136**	**238,980,136**
Issue of shares	**1,088,738,515**	**1,088,738,515**
Redemption of shares	**(255,748,613)**	**(255,748,613)**
Balance at 31 December 2006	**2,486,606,156**	**2,486,606,156**

Cash flow statement

For the year ended 31 December 2006

	2006 US$	2005 US$
Cash flows from operating activities		
Profit for the financial year	**238,980,136**	128,647,449
Adjustments to reconcile profit for the financial year to net cash from operating activities		
Financial assets at fair value through profit or loss	**(879,103,325)**	(408,733,832)
Interest and dividends receivable	**(1,362,945)**	(783,080)
Subscriptions receivable	-	4,167,750
Other receivables	-	2,000,000
Management and incentive fees payable	**1,921**	6,400
Deferred incentive and management fees	**(2,244,610)**	370,919
Administration fees payable	-	(350,000)
Accrued expenses	**(113,327)**	74,324
Withholding tax expense	**402,666**	222,978
Due to participating interest	-	189,668,711
Net cash used in operating activities	**(643,439,484)**	(84,708,381)
Cash flows from financing activities		
Proceeds from issue of redeemable preferred shares	**899,069,804**	159,708,269
Redemptions of redeemable preferred shares	**(255,748,613)**	(86,158,549)
Net cash provided by financing activities	**643,321,191**	73,549,720
Net decrease in cash and cash equivalents	**(118,293)**	(11,158,661)
Opening cash and cash equivalents	**169,474**	11,328,135
Ending cash and cash equivalents	**51,181**	169,474

Supplemental Information cash flow statement

	2006 US$	2005 US$
Interest received	**30,955,503**	24,490,636
Dividends received	**21,924,165**	8,696,950
Non cash item in respect of participating interest (note 11)	**189,668,711**	-

Notes to the financial statements

For the year ended 31 December 2006

1. Organization

Harley International (Cayman) Limited (formerly Harley International Limited) (the "company") was formed as an open-ended investment company under the laws of the Bahamas with limited liability on 1 September 1992. On 7 August 2003 the company transferred its domicile, administrator and investment manager to the Cayman Islands and incorporated as an exempted company in the Cayman Islands. At the same time the company changed its name to Harley International (Cayman) Limited. Effective 29 April 2004 the company became registered under the Cayman Islands Mutual Funds Law. From the 1 January 2005, the company transferred its administrator to the Isle of Man.

The investment objective of the company is to achieve capital appreciation by investing the assets of the company with one or more money managers, either directly by way of a managed account or by investing in an investment vehicle managed by such money manager. Company assets will typically be invested either directly or indirectly in U.S. equity securities, equity index related options and US Treasury Bills on a completely non-leverage basis.

The company's financial statements were authorised for issue on 29 June 2007 by the Directors.

The company had no employees at 31 December 2006.

2. Significant accounting policies

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

(b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss that have been measured at fair value. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

(c) Financial instruments

(i) Classification

The company has designated its financial instruments as financial assets and liabilities at fair value through profit or loss which consist of financial assets and liabilities held for trading. These include equities, US treasury bills and investment funds. These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price.

Notes to the financial statements

For the year ended 31 December 2006 (continued)

2. Significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Initial measurement

Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out (FIFO) method.

Financial instruments categorised at fair value through profit or loss are measured initially at fair value, with transaction costs for such instruments being recognised directly in the income statement.

(iii) Subsequent measurement

After initial measurement, the company measures financial instruments which are classified as at fair value through profit or loss at their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty, in the case of non-exchange traded instruments, at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at their current bid prices, while financial liabilities are priced at their current offer prices.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the income statement.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of the meeting short-term cash commitments rather than for investments or other purposes.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the company's financial statements are measured using the currency of the primary economic environment in which it operates ('the functional currency'). This is the US dollar, which reflects the company's primary activity of investing in US dollar denominated securities and derivatives.

Notes to the financial statements

For the year ended 31 December 2006 (continued)

2. Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than United States dollars are translated into United States dollars at the closing rates of exchange at each period end. Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in realised and unrealised gains and losses on investments.

(f) Redeemable preferred shares

Redeemable preferred shares are redeemable at the shareholder's option and are classified as financial liabilities.

The preferred shares can be put back to the company on any dealing day for cash equal to a proportionate share of the company's net asset value.

(g) Share capital

The company's ordinary shares are classified as equity in accordance with the company's articles of association. These shares do not participate in the profits of the company.

(h) Interest income and expense

Interest income and interest expense are recognised on an accruals basis in line with the contractual terms. Interest is accrued on a daily basis.

(i) Expenses

All expenses, including management fees and incentive fees, are recognised in the income statement on an accruals basis.

(j) Dividend income

Dividends are credited to the profit and loss account on the dates on which the relevant securities are listed as "ex-dividend". Dividend income is shown net of any withholding tax in the income statement.

(k) Income taxes

The company is exempt from all forms of taxation in the Cayman Islands, including income, capital gains and withholding taxes. In jurisdictions other than the Cayman Islands, in some cases foreign taxes will be withheld at source on dividends and certain interest received by the company. Capital gains derived by the company in such jurisdictions generally will be exempt from foreign income or withholding taxes at source.

(l) Net asset value per share

The net asset value per share is calculated by dividing the net assets per class of shares by the number of the outstanding shares per class of shares at the end of the year.

(m) Cross liability

The assets of each sub-fund may be exposed to the liabilities of other sub funds within the company. At 31 December 2006, the directors are not aware of any such existing or contingent liability.

Notes to the financial statements

For the year ended 31 December 2006 (continued)

2. Significant accounting policies (continued)

(n) Changes in accounting standards

IFRS 7 Financial Instruments: Disclosures was issued by the IASB in August 2005 and is effective for accounting periods beginning on or after 1 January 2007. The standard requires further disclosure in relation to financial instruments in addition to that currently required under IAS 32. These include enhanced disclosure about exposure to risks arising from financial instruments including sensitivity analysis for each type of market risk. The company has elected to apply IFRS 7 from 1 January 2007.

3. Financial assets at fair value through profit or loss

As at 31 December 2006 the Company held the following securities as assets held for trading:

Security name	Unit holdings	Trade currency	Amortised Cost in USD	Fair value in USD
US Treasury Bill due 01/02/07	167,525,000	USD	166,848,347	166,826,607
US Treasury Bill due 08/02/07	167,525,000	USD	166,689,663	166,666,573
US Treasury Bill due 15/02/07	167,525,000	USD	166,518,279	166,499,653
US Treasury Bill due 22/02/07	167,525,000	USD	166,359,270	166,333,758
US Treasury Bill due 01/03/07	167,525,000	USD	166,195,441	166,173,631
US Treasury Bill due 08/03/07	167,525,000	USD	166,034,756	166,009,736
US Treasury Bill due 15/03/07	167,525,000	USD	165,880,478	165,858,312
US Treasury Bill due 22/03/07	167,525,000	USD	165,661,871	165,689,345
US Treasury Bill due 29/03/07	167,525,000	USD	165,598,727	165,571,921
US Treasury Bill due 05/04/07	167,525,000	USD	165,434,670	165,408,161
US Treasury Bill due 12/04/07	167,525,000	USD	165,234,561	165,208,687
US Treasury Bill due 19/04/07	167,525,000	USD	165,071,891	165,049,724
US Treasury Bill due 26/04/07	167,525,000	USD	164,907,846	164,885,364
US Treasury Bill due 03/05/07	167,525,000	USD	164,748,691	164,731,800
US Treasury Bill due 10/05/07	167,525,000	USD	164,594,454	164,572,839
			2,485,778,947	**2,485,486,111**
As at 31 December 2005				
US Treasury Bills		USD	**1,606,676,729**	**1,606,382,786**

Notes to the financial statements

For the year ended 31 December 2006 (continued)

4. Cash and cash equivalents

	2006 US$	2005 US$
Cash	27,329	140,136
Money market fund	23,852	29,338
	51,181	169,474

The company holds cash with Fortis Prime Fund Solutions Bank (Ireland) Limited and with Bernard L. Madoff Investment Securities LLC.

5. Management and incentive fees

Pursuant to the investment management agreement, the investment manager will receive from the company a monthly management fee on the Class J Redeemable Preferred Shares equal to one twelfth of percent (0.0833%) of the net assets of such class. This fee will be calculated monthly on the last day of each month, prior to deduction of the incentive fee, if any. The management fee will be deducted in computing the net profit or net loss of the company. No management fees will be charged in respect of the Class A or Class C Shares. Management fees incurred during the year totalled $Nil (2005: $33,538). A balance of $Nil was payable in respect of management fees as at 31 December 2006 (2005: $2,910).

The Class J share class closed in 2005. As such, no management or incentive fees were generated in relation to this class in 2006.

The incentive fee is payable to the investment manager. The incentive fee on the Class A and Class J Redeemable Preferred Shares for any month is an amount equal to ten percent (10%) of the net profits (including net unrealised gains), if any, allocable to the Class A Redeemable Preferred Shares and the Class J Redeemable Preferred Shares during such month. The incentive fee is subject to a loss carry-forward provision. No incentive fees will be charged in respect of Class C Shares. Incentive fees incurred during the year totalled $192,662 (2005: $141,167). A balance of $16,077 was payable in respect of incentive fees as at 31 December 2006 $nil (2005: $11,246).

The investment management agreement provides, unless the investment manager elects to defer receipt of the management fee and/or incentive fee as further described below, that the investment manager will be paid the management fee and incentive fee monthly.

Notes to the financial statements

For the year ended 31 December 2006 (continued)

5. Management and incentive fees (continued)

The investment manager and/or their sub-advisor may elect to defer payment of all or any portion of any management fee or incentive fee payable to them. Upon such election by the investment manager or sub-advisor, the payment of any deferral amount to each of them will be automatically deferred until the earlier of such future dates as the recipient of each deferred amount may specify in its notice to the company or the dissolution of the company. As long as the payment of fees is deferred, they constitute a "phantom share class", which appreciates or depreciates in parallel with the net asset value of Class C shares.

As at 31 December 2006 the investment manager had elected to defer fees totalling $325,440 (2005: $2,570,050). This is made up of current year fees deferred of $204,916 less a withdrawal of $2,716,158 paid in cash. During the year, the deferred fees appreciated by $266,632 (2005: $214,610).

6. Administration fee

The company has entered into an administration services agreement with Fortis Prime Fund Solutions (IOM) Limited. The administration agreement provides that the company will pay the administrator an administration fee equal to 0.05% of the company's net asset value subject to a maximum fee of US$300,000 per annum. In addition, all reasonable out-of-pocket expenses incurred by the Administrator on behalf of the company will be reimbursed to the Administrator on a quarterly basis.

7. Share capital and redeemable preferred shares

The company's authorized capital consists of 100,000 ordinary shares and 4,900,000 redeemable preferred shares, each having a par value of $0.01. Redeemable preferred shares may be designated as either Class A redeemable preferred shares (the "Class A shares") or Class C redeemable preferred shares (the "Class C shares"). The Class A and Class C shares are collectively referred to as "Redeemable Preferred Shares". Class A shares may only be purchased by direct investors, Class C shares may only be purchased by fund of funds or by managed accounts advised or managed by managers with which the sub-advisor of the company is affiliated.

The net assets attributable to holders of redeemable preferred shares are at all times equal to the net asset value of the company. The preferred shares which comprise the equity capital of the company are in substance a liability of the company to shareholders under IAS 32 as they can be redeemed at the option of the shareholder. The movement in the number of preferred shares is shown at the end of this note.

The company's redeemable preferred shares have no voting rights. All voting rights are vested in the holders of the 100,000 authorized ordinary shares owned by the Investment Manager.

The initial offering price of the Class A and C shares was $1,000. Valuations are determined on the last business day of each month.

Notes to the financial statements

For the year ended 31 December 2006 (continued)

7. Share capital and redeemable preferred shares (continued)

The minimum investment in the company is $1,000,000, subject to change at the discretion of the company, provided that no investment shall be for an amount less than $50,000. Redeemable preferred shares may be purchased monthly on the first business day of each calendar month and at such other times as are permitted by the company's directors. The proper documentation necessary to subscribe must be received by the company at least two business days prior to the purchase date unless waived by the company. Redeemable preferred shares are offered at the net asset value as of the close of business on the last day of the immediately preceding month (the "Valuation Date").

Any holder of redeemable preferred shares has the right to have all or a portion of his shares redeemed as of the last business day of any calendar month. The company must receive the redemption request at least 30 days prior to such redemption date or such shorter notice period at the discretion of the Directors. Redeemable preferred shares will be redeemed at the net asset value as at close of business on such redemption date.

Preferred shares carry no right to receive notice of any general meeting of the company. The holders are entitled to receive all dividends declared and paid by the company. Upon, winding up the holders are entitled to a return of capital based on the net asset value per share of the company.

Preferred share transactions for the year ended 31 December 2006 were as follows:

	Class A US$	Class C US$	Class J US$
Shares outstanding at 31 December 2004	3,094.34	373,193.41	1,109.95
Shares issued	-	48,476.22	-
Shares redeemed	-	(25,873.92)	-
Shares outstanding at 31 December 2005	3,094.34	395,795.71	1,109.95
Shares issued	2,016.00	290,257.74	-
Shares redeemed	(958.93)	(66,793.65)	(1,109.95)
Shares outstanding at 31 December 2006	**4,151.41**	**619,259.80**	-

Notes to the financial statements

For the year ended 31 December 2006 (continued)

8. Risks associated with financial instruments

The company is exposed to market risk, credit risk, liquidity risk and cash flow interest rate risk arising from the financial instruments it holds. The company uses instruments for trading purposes and in connection with its risk management activities.

The company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control economic hedging transactions in a timely and accurate manner.

The company's assets and liabilities comprise financial instruments which include:

- Investments including equity and non-equity shares and fixed income securities. These are held in accordance with the company's investment objectives and policies;

- Cash, liquid resources and short-term debtors and creditors that arise directly from its investment activities.

As an investment company, the company buys, sells or holds financial assets and liabilities in order to take advantage of changes in market prices or rates. The company invests its assets with one or more money managers, either directly by way of a managed account or by investing in an investment vehicle managed by such money managers. Company assets will typically be invested either directly or indirectly in U.S. equity securities, equity index related options and U.S. Treasury Bills on a completely non-leverage basis.

Market risk
The company trades in financial instruments to take advantage of short term market movements in the equity and bond markets. Market risk represents the potential loss that can be caused by a change in the market value of the financial instrument. The company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The investment manager continuously monitors the company's exposure to market risk. At 31 December 2006 the exposure to market risk is low as the investments in securities consist solely of U.S. Treasury bills which cost approximates their market values.

The positions held by the company at the year end are disclosed in Note 3.

Interest rate risk
The company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The company's exposure to market risk for changes in interest rates relates solely to the company's debt securities in the investment portfolio. The company does not use derivative financial instruments to hedge its investment portfolio. The Investment Manager continuously monitors the company's exposure to interest rate risk.

The company's financial assets as set out in the following table are exposed to cash flow interest rate risk, such as cash held with a floating interest rate that resets as market rates change:

Notes to the financial statements

For the year ended 31 December 2006 (continued)

8. Risks associated with financial instruments (continued)

	2006 US$	2005 US$
Assets		
Cash	**51,181**	169,474

Liquidity risk

The company's offering document provides for the monthly creation and cancellation of shares and is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time. The company has the ability to borrow in the short term to meet these obligations, although no such borrowings have arisen during the year.

Management believes that the company has sufficient resources to meet the present and foreseeable needs of its business operations. Management's guiding policies are to maintain conservative levels of liquidity to ensure that the company has the ability to meet its obligations under all conceivable circumstances. Further, the company's securities are considered to be readily realizable.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the company. It is the company's policy to enter into financial instruments with a range of reputable counterparties. Therefore, the company does not expect to incur material credit losses on its financial instruments.

The company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as of 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the company's total credit exposure. The company's portfolio is not diversified along industry, product and transactions but is entered into with diverse creditworthy counter parties, thereby mitigating any significant concentration of credit risk.

Exchange rate risk

Exchange rate risk represents the risk that the exchange rate of the United States Dollar relative to other currencies may change in a manner, which has an adverse effect on the reported value of assets, which are denominated in currencies other than the United States Dollar. Exchange rate exposure is low, because the company solely invests in USD-denominated securities. As at 31 December 2006 and 31 December 2005 the company had no outstanding forward currency contracts.

Notes to the financial statements

For the year ended 31 December 2006 (continued)

9. Net gain on investments

	2006 US$	2005 US$
Net realised gains on investments	**185,814,396**	104,370,709
Net unrealised gains/(loss) on investments	**1,108**	(213,226)
	185,815,504	104,157,483

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Mr. Anthony L.M. Inder Rieden and Mrs. Dawn Davies, Directors of the company, are also members of the Board of Directors of the investment manager. Effective 1 January 2002 the Directors are each paid an annual director's fee of $5,000. Total fees charged during the 2006 amounts to $10,000 (2005: $10,000) for which $10,000 has been paid during the year.

In addition, at the year end Santa Clara I Fund held 186,152.666 of the Class C shares (2005: 79,575.914) and Santa Barbara Holdings Limited held 65,963.754 of the Class C shares (2005: 75,705.934). Santa Clara I Fund and Santa Barbara Holdings Limited are related parties by virtue of common directorship.

11. Shares issued in excess of authorised capital

During the period from 1 March 2005 to 7 February 2006, the company received subscription applications from certain investors who remitted amounts to the company on the basis that such amounts would be used to subscribe for shares in the company on such dates as specified on the application form at the prevailing offering price of that share.

The company was not able to allot and issue all the shares that were subscribed for on the subscription dates as this would have resulted in the company's issued share capital exceeding its authorised share capital.

On 7 February 2006, the company increased the authorised share capital to US$7,000 being 100,000 Ordinary Shares of US$0.01 each and 600,000 Redeemable Participating Shares of US$0.01 each. This enabled the company to issue the aforementioned shares. The shares have now been issued.

On 16 November 2006, the company adopted a revised Memorandum and Articles of Association. The revised Memorandum and Articles of Association increased authorised share capital to US$50,000 being 100,000 ordinary shares of US$0.01 each and 4,900,000 Redeemable Participating Shares of US$0.01 each.

During the period stated above, the company and each investor proceeded on the basis that all shares subscribed for were allotted and issued on the applicable subscription date, and therefore the company and each investor have been,

Notes to the financial statements

For the year ended 31 December 2006 (continued)

11. Shares issued in excess of authorised capital (continued)

economically, in the same position as if the shares had been issued and allotted at the time.

On 7 February 2006, the directors resolved to issue such shares at the prevailing offering price at the subscription dates thereof to investors, to put the investors in the same economic position as they would have been in had the shares for which they subscribed been issued on the applicable subscription date.

As at 31 December 2005, the impact of the above on the financial statements was that 52,686.52 Class C shares with proceeds of US$178,379,235 and 958.93 Class A shares with proceeds of US$3,000,000 had been subscribed for, but could not be issued and therefore were unable to be treated as capital as at 31 December 2005.

These subscriptions therefore represented a participating interest in the company as at 31 December 2005. As a participating interest, the subscriptions are eligible to partake in the profit of the company from the point at which the subscription application was submitted. Therefore, of the total profit earned by the fund in the period, a proportion is attributable to participating interests and a proportion attributable to participating redeemable shareholders. As at 31 December 2005, the profit attributable was as follows:-

			US$
Participating shares	-	Class A	163,704
	-	Class C	8,125,772
Redeemable participating shares			8,289,476

In the prior year financial statements, the funds received for the subscription of this participating interest, together with the profit that had been earned in the period since subscription, were treated as a liability of the company and were recorded as a creditor of US$ 189,668,711 within the balance sheet.

Since 7 February 2006, the company has had sufficient authorised share capital to enable it to recognise the prior year participating interest as capital.

As such the participating interests liability of US$189,668,711 has been adjusted and reflected in capital in the current year.

12. Subsequent events

During the period 1 January 2007 to 29 June 2007 US$346,300,000 shares were subscribed for and US$69,200,000 shares were redeemed.